

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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POLICY

Voluntary  Public

**Date:** 5/15/2012

## Turkey

**Post:** Ankara

### Turkey- the Next Rising Tiger

**Report Categories:**

Agricultural Situation

Agriculture in the Economy

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**Report Highlights:**

Economists generally describe Turkey as a newly industrialized country, while the World Bank and *The Economist* magazine describe it as an emerging market economy. Some economists even describe it as a “Eurasian rising tiger”.

## **Turkey – The Next Rising Tiger?**

*A Report on the significant economic and agricultural changes in Turkey*

### **Turkey and Turkish Economy**

Turkey is a democratic and secular country located in Western Asia and Southeast Europe. Besides being a bridge between two continents, Turkey is a financial gateway for the region which welcomes the whole world. Turkey has 74.7 million citizens in its 783,562 sq km of land. Turkey is slightly larger than Texas in terms of total area. Turkey's official language is Turkish and 99.2% of the population is Muslim. Seventy percent of the population lives in urban areas whereas 30% of the population lives in rural areas. The estimated urbanization rate is 1.7% annually. The most populated cities are Istanbul with 13.6 million people, Ankara (the nation's capital) with almost 4.8 million, and Izmir with 3.9 million. Seventy-two percent of the population is under the age of 35 and 40% is under the age of 15. Turkey's literacy rate is 88.7%. In 2010, Turkey's GDP was the 17<sup>th</sup> largest in the world at \$735 billion (\$13,400 per capita).

The Turkish economy is mainly driven by the service and industry sectors, but the traditional agriculture sector is still important, as it accounts for nearly 30% of total employment. Turkey is also an important producer of textiles; motors, ships and other transportation equipment; construction materials and home appliances. Turkey also has some important natural resources such as coal, copper, marble, boron and iron ore. Economists generally describe Turkey as a newly industrialized country, or an emerging market economy.

Turkey has the 23<sup>rd</sup> largest labor force in the world with 25.64 million citizens. Including Turkish people working abroad, this number reaches 27 million. Both export and import rates are rapidly increasing. Imports rates changed from \$140 billion in 2009 and \$185 billion in 2010 to \$240 billion in 2011. Turkey's main imports include machinery, chemicals, semi-finished goods, fuel, and transport equipment. Turkey imports from all over the world, mainly Russia (11.6%), Germany (9.5%), China (9.3%), U.S. (6.6%), Italy (5.5%), France (4.4%), and Iran (4.1%), based on 2010 imports. Export levels rose from \$102 billion in 2009 and \$113 billion in 2010 to \$134 billion in 2011. Turkey exports many things including apparel, foodstuffs, textiles, metal manufactured goods and transport equipment. Turkey primarily has European export partners; including Germany (10.1%), United Kingdom (6.4%), Italy (5.7%), France (5.3%), Iraq (5.3%), and Russia (4.1%), based on 2010 exports rates.

The Turkish economy grew in part thanks to privatization programs which reduced state involvement in many sectors to minimal levels. It was not until the 1980s that privatization was initiated. Until then, Turkey had strict government planning programs, and limitations on private sector and foreign investment. However, Turkey's economy changed in response to a sharp shift from a quasi-statist

approach to a much more market-based economy in the 1980s. However, the Turkish banking system could not adjust quickly enough to this change and in 2001, an inevitable Turkish stock market crash caused widespread damage to the Turkish economy. However, Turkey initiated several major bank reforms and took some precautions to prevent similar incidents from occurring in the future. Thanks to the 2001 crisis and the reforms that occurred at that time, Turkey found itself well-prepared for the 2008 global economic crisis. Because of this, Turkey is being used as an example by many economists as a country with a strong banking sector. As a result, Turkish and foreign entrepreneurs are increasingly recognizing the strength of the Turkish economy, and even underscoring Turkey as Eurasia's rising tiger after an 11% growth rate in the first quarter of 2011, surpassing both Argentina 9.9% and China 9.7%.

### **Recent Economic Structure**

It is a clear fact that the Turkish economy is climbing at a time when many of its neighbors are struggling with turmoil and bail-outs. Greece, for example, has an unstable economic situation and now Greek businessmen are looking to Turkey as a new trading base. According to the Izmir Chamber of Commerce (IZTO), 93 new Greek firms have applied to do business with Turkish firms in the just first five months of 2011. It would not be wrong to state that Turkey was successful at dealing with the 2008 global economic crisis as a result of precautions taken after its own 2001 crisis. According to World Bank growth forecasts (June 2011), the real GDP growth average in the world is expected to be 3.2 in 2011, 3.6 in 2012 and 3.6 in 2013. Turkey's growth rate expectations are 6.1, 5.1 and 5.3 respectively. Turkey's rates are higher than not only the average rates, but also some highly developed and still developing countries such as the European Union with 1.7, 1.8, 1.9; Japan with 0.1, 2.6, 2.0; Russia with 4.4, 4.0, 4.1 and Argentina with 6.3, 4.2, 4.3. However, recent economic instability in Europe affected the Turkish Economy. Turkish government growth forecasts were upgraded from 4.5% to 7.5% for 2011 but lowered from 5% to 4% for 2012. IMF also cut Turkey growth forecast from 2.5% to 2.2% for 2012.

The Organization for Economic Co-operation and Development (OECD) also updated its growth forecasts for Turkey to 7.4 in 2011, 3.0 in 2012 and 4.5 in 2013; and for the World average 3.8 in 2011, 3.4 in 2012 and 4.3 in 2013.

### **Turkish Agricultural Sector**

The Turkish economy has many strong sectors, one of which is the traditional agriculture sector due to Turkey's diverse geographical and climatic conditions. Turkey is geographically close to the European, Middle Eastern and North African markets and is one of the leading producers in agriculture and related industries. Proximity to these markets is one key reason for Turkey's rising agricultural export rates.

Historically, Turkey has always been involved in agricultural production. Earlier, with traditional agricultural methods, production was on the level of just self-sufficiency. However, with the government initiatives starting from the 80s, the domestic agricultural economy was integrated into the

global economy and Turkey is now also an important exporter. Some of these initiatives include privatization, reduction of trade barriers in the agricultural sector, irrigation, financial aid projects and infrastructure improvements. With the help of these, Turkey's agricultural exports increased from \$2.0 billion in 2001 to \$5.1 billion (excluding processed food) in 2011. Improvements in Turkish agriculture also resulted from a sequence of changes aimed at adapting to European Union harmonization rules. Turkey's potential membership to the European Union brought modern agriculture and agricultural technology. Turkey's membership in the European Customs Union is one of the most important results of its harmonization so far. Other than this, financial assistance, agricultural courses, modern irrigation and farming techniques were introduced to the Turkish agriculture sector under these rules. Its membership to EU would lead to even more new trade opportunities if Turkey does become a member. Turkey is also a major importer of agricultural ingredients, which are often integrated into its exports.

As the service sector compromises a larger and larger percentage of GDP, the agricultural percentage decreases every year. However, this does not necessarily mean the agricultural contribution decreases. On the contrary, it nearly doubled in last 10 years. This basically shows that agricultural efficiency in Turkey has been rising with the help of improvements in the sector. The agriculture sector also helps decrease the unemployment rate by employing nearly 24% of the total workers in Turkey.

Forty percent of Turkey's land is arable and this abundant amount of land offers various opportunities for many agricultural products including field crops, vegetables, fruits, and livestock. Field crops rank number one in terms of both volume and value of production with 80 million tons and \$16 billion, respectively. While fruit production reached \$14.2 billion with 17.7 million tons, vegetable production amounted to \$12.2 billion with 26 million tons. Livestock production has jumped in recent years reaching \$31.2 billion in total production value in 2010.

### **Field Crop Production**

The field crop production in Turkey compromises nearly 40% of the crop production values. The most important products in this category are grains with 58% of the total field crop production and \$17.7 billion value in 2010. Wheat, barley and corn are the top three with 62.3%, 17.7% and 12.2% of the total grain production respectively in 2010. Although there was a drought in 2007 and it affected the grain production, precautions and government supports accelerated the recovery in 2008. Financial support and improved irrigation techniques helped the recovery, increasing wheat production from 17.2 million tons in 2007 to 20.6 million tons in 2009. While wheat carries importance as an essential part of flour and flour related products, another grain, barley, is generally used as feed. Estimated production rate has been stable since 2007 and it is around 7.3 million tons per year. Corn production is developing, as statistics clearly shows that it nearly doubled in eight years from 2.1 million tons in 2002 to 4.3 million tons in 2010. With other grain products, grain exports play an important role in the Turkish economy. During the drought of 2007, grain exports amounted \$66.6 million. However, this number increased nearly five times in three years and reached \$349 million in 2010.

Potato and pulses including broad beans, peas, chick peas, dried beans, and lentils also have economic importance, reaching \$2.4 billion in 2010. Other field crops such as oil seeds, especially sunflower, tobacco, sugar beets and cotton, are also important to the food industry and textile sectors, contributing to the Turkish economy nearly \$4.5 billion as raw materials in 2010.

### **Fruit Production**

Turkey offers various fruit varieties throughout the year because of its different climatic zones and conditions. Fruit, beverage and species crops help the Turkish economy roar with \$14.2 billion production value. With its different uses such as fresh for table consumption, dried for raisins and processed into wine and other products, grape is the leading fruit in terms of value of production at \$2.2 billion. Olives follows grapes with \$2.01 billion, while apple comes third with a production value of \$1.8 billion in 2009. Citrus fruit (orange, mandarin, and lemon), nuts (walnut and hazelnut), stone fruits (peach, apricot cherries), banana, kiwi and figs have also a major contribution, approximately \$8.3 billion in 2009. Turkey is one of the most important fruit producers in the world. When Turkish agricultural exports amounted to \$4.5 billion in 2009, fruit contributed over \$3 billion of this total.

### **Vegetable Production**

Vegetable production in Turkey is growing.. Because of increasing use of automation, vegetable production started to be more efficient in Turkey. In 2009, total vegetable production amounted 26 million tons and \$12.2 billion. In 2008, total vegetable production amounted to 27.2 million tons and \$11.3 billion. When these two-years are compared, it is a clear that while production is decreasing; value is increasing as a natural result of rising efficiency. In vegetable production, tomato production has the top position with \$4.74 billion and 10.7 million tons. As Turkey is also able to cultivate tomatoes in the winter thanks to its ecological conditions, this leads Turkey to be a major tomato exporter in the region. Many nearby countries, especially Germany and Russia, are dependent on Turkey for their tomato importation. After tomatoes, melons are the second most important vegetable (classified as a vegetable in Turkey). Melon and watermelon production was 5.4 million tons in 2009, worth \$1.65 billion. Peppers, cucumbers and onions were worth \$1.01 billion, \$0.87 billion and \$0.78 billion in 2009, respectively.

### **Livestock Production**

The number of cattle, sheep and goat and poultry in Turkey is increasing to meet increasing meat demand. The number of cattle reached 11.4 million, increasing 6% , while the number of sheep and goat reached 29.9 million, increasing 9% in 2010. The demand for cattle and sheep and goat increases at certain times throughout the year, especially during the religious Sacrifice season. During this religious event, nearly 0.5 million cattle and 2.5 million sheep and goat are sacrificed reaching a value of nearly

\$1.5 billion. The government also tries to support livestock farmers by applying high taxes on imports and giving support payments for improving farms. The number of poultry also increased 2.1% reaching 238.9 million in 2010 while the number of laying hens increased 6.7% reaching 70.9 million. Although there are many countries importing poultry from Turkey, the most important ones are Middle Eastern countries such as Iraq, Azerbaijan, Tajikistan and Iran. In 2010, poultry meat and offal exports amounted to \$229 million, increasing 49% from the previous year. Iraq still keeps it title as Turkey's largest market, worth \$135 million in 2010.

Milk production also increased 8% reaching 13.5 million tons whereas fleece, animal hair and animal hair production showed slight changes, reaching 42, 2.6 and 200 thousand tons respectively. Fishery production reached 653 thousand tons which is a 4.8% increase. Although there were steady increases in livestock, apiculture and sericulture production did not keep up with these increases.

### **Turkish Agricultural Economy**

As a result of improved agricultural production, the Turkish economy benefits in terms of both domestic production and exports. Turkey's agricultural exports amounted to \$5.1 billion, increasing 13% in 2010. However, when processed products are included, this reaches \$10.49 billion, a 14% increase from the year before.

Turkey is the largest producer of hazelnuts, apricots, cherries and poppy seeds in the world and the second largest producer of quinces, leeks, figs, vetch, melons, cucumbers and strawberries. It is the third largest producer of chickpeas, honey, apples, lentils and walnuts in the World In terms of quantity. Turkey's top agricultural exports consist of hazelnuts with \$710 million, wheat flour with \$596 million, food preps with \$535 million, unmanufactured tobacco with \$490 million and prepared nuts with \$413 million. Turkey's top agricultural imports include cotton lint, wheat, sunflower oil, soy beans, and unmanufactured tobacco.

While Turkey's main agricultural exports to the U.S. are tobacco, processed fruits, olive oil, tree nuts, spices and snack foods, the main U.S. agricultural exports to Turkey are cotton, soybeans, feed ingredients, juices and tree nuts. In 2011, Turkey's total export to the U.S. amounted \$4.5 billion whereas total imports from U.S. were \$16 billion. Most of what Turkey imported was bulk ingredients that were further processed in Turkey, and in many cases exported however most of what Turkey sent to the United States was value-added consumer ready products.

Having some important port cities such as Istanbul, Izmir, and Mersin provides many trade opportunities for Turkey. As a result, the location of Turkish ports has a great influence on the trade of bulk commodities. Turkey's top agricultural bulk commodity imports included wheat with 2.25 million tons, soybeans with 1.75 million tons, cotton lint with 889 thousand tons, sunflower seed with 648 thousand tons and maize with 452 thousand tons; worth \$650 million, \$734 million, \$1.7 billion, \$346 million and \$123 million, respectively. Turkey's top agricultural bulk commodity exports were wheat

flour with 1.8 million tons, wheat with 1.7 million tons, tomatoes with 573 thousand tons, lemons with 407 thousand tons, and mandarins with 364 thousand tons: worth \$604 million, \$200 million, \$475 million, \$277 million, and \$288 million, respectively.

Among Turkey's top 20 agricultural imports soybeans, sunflower oil and seed, cocoa beans, and sesame seeds show sharp increases in recent years. There is also a constant increase in the exportation of flour, food prepared foods, pastry, raisins, chocolate, dry apricots, sugar confectionery, and vinegar. Although the products above are in the thousands of tons at least, there are other imports which are lesser in quantity, but which also are increasing sharply. For example, fine goat hair imports increased from 5 tons worth \$37 thousand to 18 tons worth \$1.05 million (2754% increase) in the last five years. Maple sugar and syrup imports increased from 1 ton worth \$5 thousand to \$7 tons worth \$76 thousand (985% increase) in the last five years.

### **Turkish Consumption of Agriculture**

The Turkish consumption patterns changed as a result of the socio-economic conditions. A growing young population, increasing GDP and rising number of full time employed female population changed Turkey's overall consumption patterns. Turkey is one of the largest markets in baked goods, with a high per capita consumption of bread and bread products. emerging rapidly increasing number of large shopping malls now offer various kinds of products, leading Turkish consumers to become increasingly demanding. Traditional consumption habits are being replaced with modern, international ones.

High value products such as coffee, chocolate, cookies, crackers, breakfast cereals, and alcohol are consumed highly by the majority of the society, resulting in higher usage of packaged and processed food. The young population, who is inclined to try new brands and products, prefers both international and domestic brands rather than small scale locally produced products. High value products such as fresh meat, roasted coffee, sugar, and dairy products are also preferred by the Turkish consumers.

A growing tourism sector is also leading to changing consumption patterns as hotels and restaurants in tourist areas change in order to compete with neighboring tourism countries and to meet the demand of guests. This includes importing various kinds of alcoholic beverages. The tourism sector attracts millions of international visitors to the country. This went from 13 million tourists in 2002 to 31 million tourists in 2011. Therefore, the Turkish domestic market served more than 100 million people in 2011. Still, the market is not fully sufficient to meet the demands of all these consumers and there is still plenty of opportunity for continued growth in the Turkish agricultural sector.

